

by any amount which was fully covered by specie. A law was taken from the German law in the provision that the government might permit the extension of the limit of circulation in case of need, subject to a tax of five per cent. The circulation not covered by specie is required to be covered by good commercial paper or Treasury bonds. Of the new issue of notes authorized by the ordinance of 1888, 27,000,000 yen was to be used for the redemption of the national bank-notes, and a loan of 22,000,000 yen was to be made to the government for the purpose of cleaning up the government notes. By the close of 1897 these notes outstanding had fallen to 7,451,098 yen, national bank-notes stood at only 5,024,728 yen, and the convertible notes of the Bank of Japan had risen to 226,229,058 yen. It was felt that the time had come to give the *coup d'etat* to the old notes. This was done by an Act of June 10, 1898, forbidding the circulation of the government notes after December 31, 1899, and by a series of laws passed somewhat earlier for winding up the note-issuing functions of the national banks and converting them into joint-stock banks.¹

Success marked every stage of the operations of the Bank of Japan to bring order into the conditions affecting the paper currency. So evident was this success, even before the reform was completed, that the bank was authorized in August, 1895, to increase its capital to 30,000,000 yen (\$15,000,000). An increase of capital took place also at the Yokohama Specie Bank in March, 1896, from 6,000,000 to 12,000,000 yen, and in September, 1899, to 24,000,000 yen. At about the same time (March, 1899), the Bank of Japan, which had already in 1890 been allowed to increase the limit of its authorized circulation to 85,000,000 yen, was again given authority to increase the limit, this time to 120,000,000 yen (\$60,000,000). Of the new issues of 35,000,000 yen, 15,000,000 was to be employed in facilitating rediscounts at home and exchange operations and 20,000,000 in aiding the Specie Bank in promoting trade with foreign countries.³

¹ *The Adoption of the Gold Standard in Japan*, 89-94.

² *The Post-Bellum Financial Administration of Japan*, 248-51.